



Health care strategy insights: Planning for price transparency policies

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Introduction

The new year has required health systems to continue balancing multiple competing priorities. In addition to a new wave of uncertainty surrounding additional variants of the SARS-CoV-2 strain and the complexities of vaccine deployment, health systems must also focus on the new Administration's priorities and the ongoing regulatory agenda. Much of the ongoing regulatory agenda will continue to emphasize the focus on the consumer with efforts to help coordinate their care and be transparent regarding their health care costs.

As of January 1, 2021, one of the major regulations issued by the Centers for Medicare and Medicaid (CMS) regarding health care price transparency for hospitals went into effect. Hospitals are now required to publicly disclose what they charge for key hospital services in a consumer-friendly format. Health system sentiments, preparedness, and response to this new policy run the gamut, ranging from full publication of prices in an easy-to-navigate format to inaction. It is important to note that this regulation is part of a broader effort to improve coordination and transparency within health care—policies applying to interoperability/information blocking take effect in July 2021 and transparency for health plans takes effect in January 2022.

The need for price transparency is now more pressing than ever due to the enormous financial, physical, and emotional strains the pandemic has placed on consumers. Not only are patients looking to anticipate and control their spending, but the pandemic has also pushed consumers to start seeking out care in new ways by searching for alternative sites of care. Concerns over uncertain health care costs are so prevalent that 22% of COVID-19 patients in the US have avoided seeking treatment due to the expense¹. Although this figure is concerning, hospitals can ultimately leverage the new transparency rules to help their organizations regain consumer trust, become a true partner in the patient's care experience, and establish a competitive advantage among future disruptors.

Accelerating Consumer Trust with Enhanced Price Transparency

With health care systems already overwhelmed by the pandemic's effects and stretched thin with available resources,

many hospitals are waiting for initial implications and market reactions to transpire before making major decisions. However, the uncertainty of the new price transparency regulatory landscape provides an opportunity for hospital executives to consider how to differentiate their organization's patient care experience and reputation among consumers—strategies that can ultimately position their organizations for future growth.

Given that over 60% of consumers are looking to exert greater control over their health care decisions¹, the current absence of data-driven pricing information poses a large disconnect between patient needs and hospital offerings. While consumer scepticism in health care has long existed, the COVID-19 pandemic has exacerbated these sentiments—according to a [Deloitte study](#), an unprecedented 77% of consumers feel a lack of control over their health care experience². Hospital leaders can steer their organizations to re-build this consumer trust by leveraging meaningful pricing data, in turn enabling consumers to access pricing information and drive their care decisions. Some examples of potential price transparency strategies include³:

- Price Estimator Tools: Out-of-pocket cost estimator tools can utilize a consumer's insurance information, desired service, and location to inform price estimates in a variety of formats, including online and over-the-phone formats
- Prescription Price Transparency Tools: Medication price estimation tools can provide an estimated prescription cost prior to the time of prescribing based on a consumer's insurance information and provide cost comparisons for alternative medications

Avoiding the Negative Implications of a Delayed Response

Achieving full compliance with the new price transparency rules may present a considerable undertaking for hospitals and their respective organizations during these already-strenuous conditions. These sentiments of hesitation seem to be consistent among provider organizations—as of late January 2021, only 1 in 5 major New York hospitals has taken steps to comply with the new policy⁴. However, while the regulatory consequences are nominal (fines of up to \$109,500 annually⁵), the risk of weakened market reputation among consumers is potentially significant.

Beyond the measurable economic implications of delayed action, loss of market share due to decreased consumer experience also poses a risk to health care organizations. With consumers already accustomed to personalized and transparent shopping experiences in other industries, 75% of consumers have expressed the desire for a similar experience in health care⁶. By actively strategizing for consumer-friendly price estimator tools, hospitals can avoid losing patients to competitors. For organizations that hesitate to act quickly, this unfortunate outcome becomes more probable as patients turn to options that better suit their economic concerns and desired experience. The competitive landscape not only includes similar hospital organizations, but also industry disruptors that are actively providing a full browsing experience to accommodate changing consumer needs.

Conclusion

Going forward into 2021, health system leaders will need to maintain their focus on consumer-centered care while also strategizing for quick and effective reactions to the changing regulatory landscape. While price transparency remains at the forefront of this effort and presents an opportunity for providers to differentiate their offerings, ongoing challenges associated with this rule will include distributing information to hard-to-reach populations and creating easily comparable pricing information formats for consumers. However, health care organizations that effectively strategize for these challenges and stay ahead of the curve will set the foundation for enduring consumer loyalty and continued organizational growth.



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